



The Recovery Act's Green Retrofit Program for Multifamily Housing

HUD Webinar
June 10, 2009



Presenters

(from HUD's Office of Affordable Housing Preservation)

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During this webcast, email questions to:
AssistedHousingGreenRetrofit@hud.gov



Green Retrofit Program for Multifamily Housing (GRP)
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GRP Guidance

Program guidance is provided in Housing Notice H-09-02, published May 13, 2009, available at www.hud.gov/recovery:

“... \$250,000,000 shall be for grants or loans for energy retrofit and green investments ...”





Green Building

An approach to sustainable development that is designed to result in a property that

- Reduces demand for energy and water
- Costs less to operate and maintain
- Improves the residents' quality of life, and
- Reduces its impact on the environment.





GRP Eligible Properties and Purposes

- Section 8, 202, and 811 properties with project-based assistance
- Limits by project size, project type, geography, and projects with same owner
- Maximum improvements of \$15,000/unit, expected to average \$10,000/unit
- Green and energy retrofits only





Program Benefits

To Residents:

- Preserves affordable housing
- May provide more efficient, healthier homes

To Property Owners:

- No cost to most owners (some exceptions)
- Performance-based financial incentives
- Adds to property's long-term viability
- Benefits the environment
- Share in future utility savings





Program Benefits

(cont'd)

To HUD and U.S. Taxpayers:

- Reduced utility costs
- Improved indoor air quality at properties
- Preserved affordable housing
- Extended affordability for at least 15 years
- Trained Green property managers
- Greener property operations





Owner Financial Incentives

- Pre-Development Incentive – 1% of Green Retrofits up to \$10,000, paid at closing
- Efficiency Incentive – 3% of Green Retrofits up to \$30,000, paid upon satisfactory and timely completion of the rehab
- Incentive Performance Fee – 3% of collected revenue, paid annually from SC upon meeting pre-conditions
- Targeted Job Creation Incentive (optional) – 10% of qualified expenditures up to \$25,000, for contracting with Eligible Residents or Eligible Business Concerns (or both), pursuant to HUD Section 3 guidance





Program Overview

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Stages of Processing

1. Application
2. Plan Development
3. Approval and Closing
4. Post Closing

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How to Apply for GRP

An Application Requires:

1. Meeting threshold eligibility requirements
2. Emailing the Application + Initial Feasibility EXCEL spreadsheet
3. Mailing the required documentation, for delivery w/in 7 days of Application





Application

Applications Must Be Complete,
or Will Be Rejected. A Complete
Application Includes:

- 14 items of Required Information
- 15 Owner Certifications
- 8 Owner Commitments





Required Information

Initial Feasibility Assessment (and comments, if necessary)	Description of Existing Components
Evidence of Authority	Utility Releases (owner paid)
Owner Preferences: Grant or Loan, Optional Green Alternatives owner wishes to pursue, other Green Retrofits of interest	Utility Releases (tenant paid)
Three Years' Annual Financial Statements and Current Year's Unaudited Financials	2530 Clearance
Accounts Payable (if Negative Surplus Cash)	DUNS Number
Flood Insurance (if applicable)	CCR (Cage) Registration





Required Certifications

Application materials are accurate, not misleading	Not pursuing other Recovery Act funding, except as disclosed
AFS current, no findings	Not pursuing any other funding, except as disclosed
Project is an Eligible Project	No judgment lien for a debt to federal government
Not debarred or suspended	No delinquent federal debt
Not subject of an LDP	Owner/Affiliate consent to subordinate debt to GRP
Not an Ineligible Owner	In compliance with applicable Fair Housing and Civil Rights laws
No litigation, except as disclosed	Executed Byrd Amendment and Lobbying Disclosure





Required Commitments

Cooperate with HUD in developing the Green Retrofit Plan

Specify latest expiration date of existing use restrictions and provide documents (if requested)

Execute documents to extend project affordability 15 years beyond end date of existing use restrictions

Execute Legal Documents at closing

Agree to early renewal of project-based contract if it expires within 18 months of application date

Use best efforts to obtain tenant releases

Provide bids/cost estimates within reasonable time period prescribed by PAE

Make owner contribution if Partially Assisted, Large Account Balance, and/or needs non-Green rehab





Special Processing

Early Renewal Process

- Projects with Section 8 contracts expiring within 18 months

Mark-to-Market With GRP Add-on

- Projects in the M2M pipeline now, as well as those coming in with the filing of the GRP Application
- Projects that have closed a traditional M2M Restructuring are eligible





GRP Underwriting

- Property assigned to PAE for underwriting
- Due Diligence collected, paid through PAE
 - Physical Condition Assessment
 - Rehab and Replacements, with Green Alternatives
 - Energy Audit
 - Integrated Pest Management Inspection
- Tenant Meeting





GRP Underwriting: Green Alternatives

- 24 alternatives for early replacement-
-generally if there is less than 15%
remaining useful life
- 12 alternatives will be included in Green
Physical Condition Assessment only if the
owner agrees to pursue





PAE's Proposed Green Retrofit Plan

1. PAE uses electronic underwriting model.
2. PAE develops the plan using Physical Condition Assessment, owner input, and comments from the tenant meeting.
3. PAE reviews its recommended Green Retrofit Plan with the owner.
4. Owner prepares Green Retrofit Operating & Maintenance Plan for HUD approval.
5. PAE runs Final Feasibility Assessment.





PAE's Proposed Green Retrofit Plan (cont'd)

6. PAE develops recommended terms for the rehab escrow, reviews with the owner.
7. PAE submits to HUD the agreed-upon Green Retrofit Plan.
8. HUD approves or rejects Plan.

GRP processing must move quickly; Owners must respond timely or risk being removed from consideration.





Green Retrofit Grant

- Eligibility
- Ongoing Requirements
 - Annual Financial Statements
 - Physical Inspections
- Amount of Grant
 - Green Retrofits + Contingency
 - Owner Incentives
 - Rehab Administration Fee
 - Utility Baseline Fees





Green Retrofit Loan

- Eligibility
- Ongoing Requirements
 - Annual Financial Statements
 - Physical Inspections
- Loan
 - Green Retrofits + Contingency
 - Rehab Administration Fee
 - Utility Baseline Fees
- Grant - for all Owner Incentives





Green Retrofit Loan

(cont'd)

- Security - recorded
- Interest Rate: 1% or AFR
- Loan Term: 15 – 35 years





Green Retrofit Loan

(cont'd)

- Payments from Surplus Cash
 - First, to HUD, 50% of Surplus Cash, as a payment on the Green Retrofit Loan.
 - Second, to owner, to pay any earned Incentive Performance Fee for that fiscal year.
 - Third, any remaining Surplus is distributed in accordance with governing documents.





Bids / Estimates

- Owners agree to get bids / cost estimates for Green Retrofits when the PAE requests
- Some requests will come quickly after assignment to the PAE
- Other requests will come after the GRPCA has been completed





GR Operations & Maintenance Plan

Details of the owner's plans for:

- Green operations
- Resident incentives and outreach
- Integrated pest management
- Maintaining the required Green property management certification





Green Retrofit Plan Commitment

- Template legal document
- Contains all material terms of the proposed Green Retrofit transaction
- Presented to owner for signature
- After owner signs, HUD signs, and reserves funding





Closing

- Within 30 days after GRPC execution
- Legal documents are signed
- GRP funding is wired to Rehabilitation Escrow Administrator (REA)





Starting the Green Retrofits Timely

Rehab must begin within 60 days of closing

Time to Complete the Rehab:

- Generally 12 months, unless there are specific logistics impediments.
- In no case can rehab exceed 21 months (By statute, reimbursement cannot be made after 24 months).





Completion of Green Retrofits

- Owner submits documentation to Escrow Administrator (REA)
- REA inspects the work, reimburses owner
- Unused escrow funds will reduce the amount of Grant or Loan
- Shortage of escrow funds requires contribution from the owner





Recovery Act Reporting

- Prevailing Wage Rates (Davis Bacon)
 - Required of all retrofits under GRP
 - Covers all workers installing retrofits
 - Requires certified weekly payrolls
- Section 3 compliance (if owner elects to pursue optional incentive)
- Quarterly Recovery Act reporting of funds received, funds spent, retrofits





Reminder - Key Dates

- HUD begins accepting Applications (electronic portion)

June 15, 2009

- Paper portion of Applications due 7 days after electronic application





Resources

Federal Recovery Act website

www.recovery.gov

HUD Recovery Act program website

www.hud.gov/recovery

Green Retrofit Program website

www.hud.gov/aheretrofith.cfm





Intermission

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Recap of FAQs to date (also posted at hud.gov/recovery)



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